

Dissenting Views on H.R. 5297, the "Small Business Lending Fund Act of 2010"

DISSENTING VIEWS

The following represents the views of the Republican Members of the Committee on the following issues, consistent with H.R. 5297, Small Business Lending Fund Act of 2010.

Because bank lending to small businesses remains constrained, policymakers have looked for ways to facilitate lending and for explanations why qualified borrowers are struggling to get credit. Many believe that banks are holding back because of regulatory pressure to reduce risks and conserve capital; others wonder whether the problem is actually a lack of demand for small business loans. Yet, whatever the cause, there is consensus that unless commercial credit becomes more broadly available, a sustainable economic recovery will remain elusive.

Thus far, the Administration and the Majority in Congress have experimented with a series of programs that have failed to help small businesses or create jobs, and have succeeded only in adding hundreds of billions of dollars to the national debt. H.R. 5297, the 'Small Business Lending Fund Act,' is unlikely to be any more successful than these earlier failed initiatives. The legislation opens the door to another government infusion of taxpayer cash into the banking system. By creating a new \$32 billion bailout fund and modeling it on the Troubled Asset Relief Program (TARP), the Majority has decided that the mistakes of the past are worth repeating.

H.R. 5297 does not properly deal with the lack of financing for small businesses. Instead of addressing the problem by stimulating demand for credit by small businesses, H.R. 5297 injects capital into banks with no guarantees that they will actually lend. The bill allows a qualifying bank to obtain a capital infusion from the government without even requiring the bank to make a loan for two years. In fact, if a bank reduces or fails to increase lending to small business during those first two years, it would not face any penalty. It defies logic that the Majority would support a bill to increase lending that does not actually require increased lending. A more effective response to the challenges facing America's small businesses was offered by Representatives Biggert, Paulsen, Castle, Gerlach, and King, whose amendment would have extended a series of small business tax credits before implementing the Small Business Lending Fund. Their amendment was defeated on a party-line vote.

Independent observers have also criticized the efficacy of the Majority's approach. The TARP Congressional Oversight Panel ('COP'), chaired by Elizabeth Warren, released a report on May 13, 2010, expressing deep skepticism that the Small Business Lending Fund established by H.R. 5297 could ever be successful. The report said that even if the Small Business Lending Fund were created by Congress immediately, the program probably would not be fully operational for months; banks could shun the program for fear of being stigmatized by its association with the TARP; and many banks would avoid taking on new liabilities when their existing assets are troubled.

Finally, H.R. 5297 does not even provide effective oversight over the fund it creates. The Inspector General of the Department of the Treasury would be given the responsibility of oversight, but it might not be able to direct sufficient attention to this task given its other responsibilities. Representatives Hensarling and Lance offered an amendment that would have provided oversight authority to the Special Inspector General of TARP (SIGTARP), which has invested time, personnel and infrastructure to develop the expertise necessary to effectively monitor capital investment programs. Unfortunately, the amendment was defeated on a party-line vote.

During debate in Committee, the Majority denied Republican claims that H.R. 5297 is nothing more than 'TARP Junior,' the enactment of which would have the effect of extending the TARP beyond its scheduled October 3, 2010 expiration date. Yet no less an authority than the SIGTARP, Neil Barofsky, has emphatically rejected the Democrats' attempt to differentiate their new bank bailout from the program he oversees. In a May 17, 2010 letter to Chairman Frank and Ranking Member Bachus, Mr. Barofsky wrote that 'in terms of its basic design, its participants, its application process, and, perhaps, its funding source from an oversight perspective, the [Small Business Lending Fund] would essentially be an extension of TARP's [Capital Purchase Program].'

Because the solutions to America's economic problems do not lie in more taxpayer-funded bailouts, Committee Republicans were unanimous in our opposition to this misguided legislation.

Spencer Bachus.

Randy Neugebauer.

Donald A. Manzullo.

Mike Castle.

Judy Biggert.

Christopher Lee.

Scott Garrett.

Shelley Moore Capito.

Lynn Jenkins.